

# **Annual Report FY 2016**

## **State Employee Workers' Compensation Services**



Virginia Department of Human Resource Management



# ***Introduction***

State Employee Workers' Compensation Services (WCS) is a self-insured program providing claims administration and cost containment services for 8,000 to 9,000 new Virginia state agency workers' compensation claims each year.

The program was outsourced on July 1, 1998 in a public-private arrangement. The program has continued under this model to the present day with contract staff working side-by-side with program staff on the 6th floor of the James Monroe Building.

The program was transferred from the Department of General Services Division of Risk Management (DRM) to the Department of Human Resource Management (DHRM) on July 1, 2000. To-day, a staff of three return-to-work specialists, one quality assurance specialist and a director manage this \$9.96 million contract including nearly 60 dedicated contract staff.

This report reflects the program's experience during the five years of the contract concluded on June 30, 2016.



# ***The Program***

## Our Mission

- Protect Virginia state employees from financial loss due to lost work and wages, medical expenses, and other costs associated with a covered workers' compensation injury
- Under Executive Order 109 (10) Workplace Safety and Employee Health, provide loss control services to our client agencies, offering advice and guidance to strengthen agency safety and loss control efforts
- Provide resources to assist agencies with their return-to-work efforts to help promote early, safe return to productive employment following a work-related injury

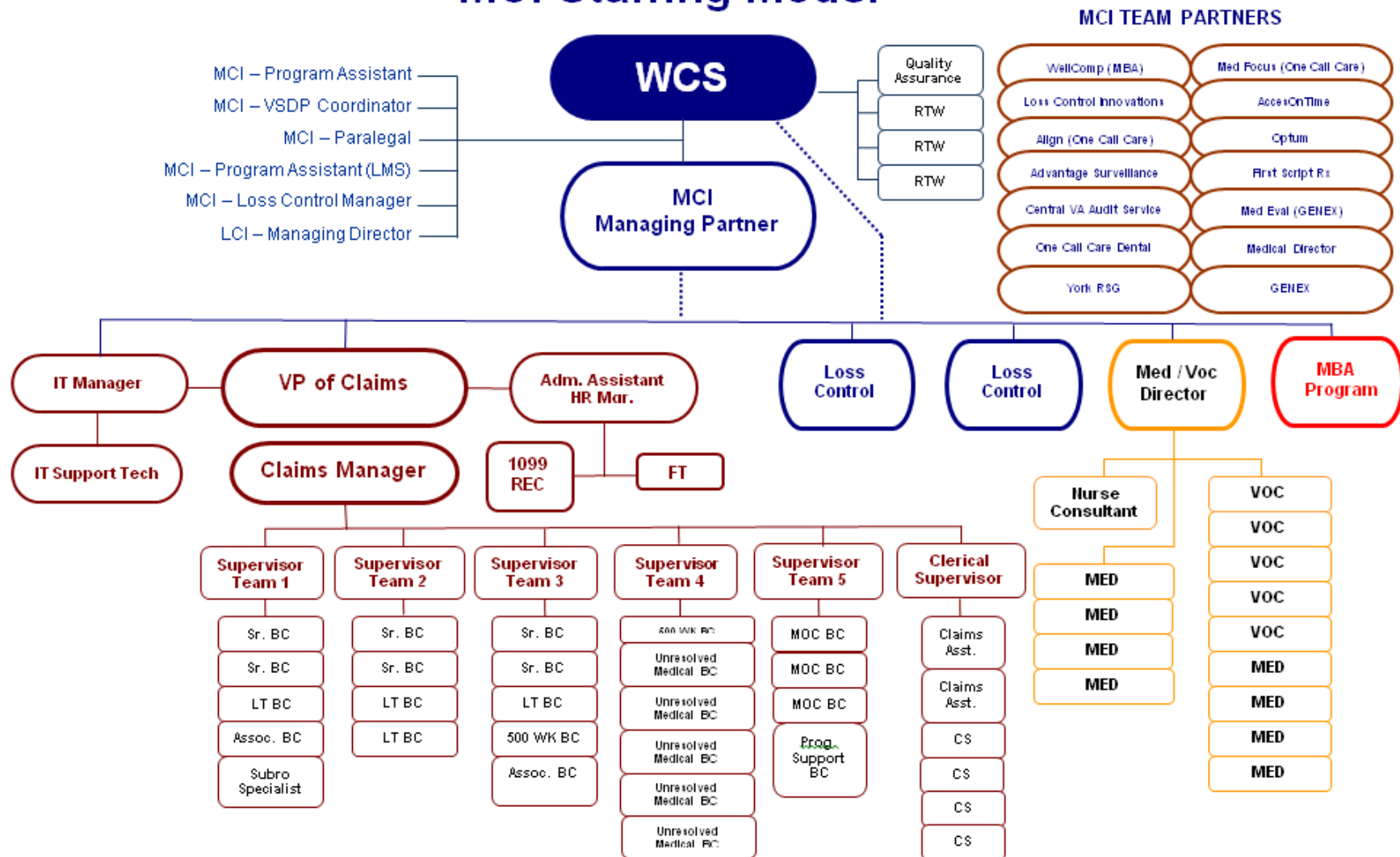
## Program Elements

- Contractors perform most program operations. DHRM manages the program and works with state agencies by developing instructions and training and serving as a resource to agencies.
  - Claims Administration & Cost Containment Services Contract - MC Innovations, LLC
  - Auditing Services Contract - Keiter
  - Actuarial Services Contract - Oliver Wyman Actuarial Consulting

MC Innovations is the program's General Contractor, bringing the best of the best in sub-contractors to the program.

# The Model

## MCI Staffing Model



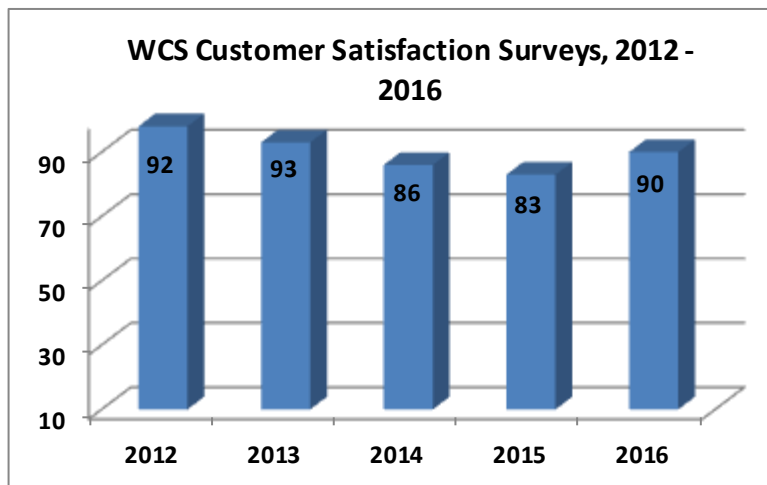
# Key Measures

## Customer Satisfaction Surveys

The WC Program administers a customer satisfaction survey of all client agencies to ensure the delivery of key program requirements under the contract. Surveys are distributed at the end of each fiscal year to over 200 agency representatives. Results are used to drive a model of continuous improvement in the administration of claims and are one of three key measures of our performance.

The survey instrument measures the frequency of contact, timeliness of agency communication, accuracy of information, the courtesy of the MCI representatives, timeliness of payments and overall satisfaction. Results are analyzed by category and are reviewed with the MCI team partners to identify opportunities for improvement. The results are shared with staff to emphasize the areas where customer satisfaction is good and where improvement is needed. Action items are identified and implemented.

- Agency goal as of 7/1/06: 90% or more rating the program overall as good or better.
- Contractual stretch goal : 92% rating the program overall as good or better.



The program has met the agency goal 7 out of 10 years since 2006, and we are pleased to report that overall satisfaction improved 7 points from 2015 to 2016, reaching the agency goal for the first time in two years! We have exciting plans in the coming year, including more training opportunities for new workers' compensation coordinators, expansion of mail order pharmacy, development of checklists, an update to our Agency Manual and the return of Safety Day this fall!

## ***Customer Satisfaction Survey Response – Improvement Initiatives in FY 16***

### **• Formation of Agency Advisory Council**

Two foundational meetings were held with agency contacts representing Tax, VDH, DGIF, VDOT, Military Affairs, DOC and Virginia Indigent Defense Council. The views and experiences shared continue to provide us with a roadmap for improving the workers' compensation experience for agencies and injured workers.

### **• Staffing of Claim Service Provider team**

Three new claim positions were added as well as a local, on-site VP of Claims, aimed at reducing workload and improving customer service. As a result, the claim team was stabilized by controlling turnover. Turnover is down over 9%, allowing for more consistent, thorough and timely claim management.

### **• Roadshows**

110 attendees from 48 agencies attended our four statewide regional Roadshows. Attendees received six hours of workers' compensation training, along with a brief update on MCI news and key program results.

### **• Visual Liquid Web (VLW)**

Our on-line claim reporting tool, VLW, was successfully revamped to a web-based application with additional enhancements to functionality.

### **• Agency Visits/Training**

The program also focused on visits to agencies through snapshot surveys, training, claim team visits and Return-to-Work Unit visits. In all we had personal contact with 68 agencies or agency locations.

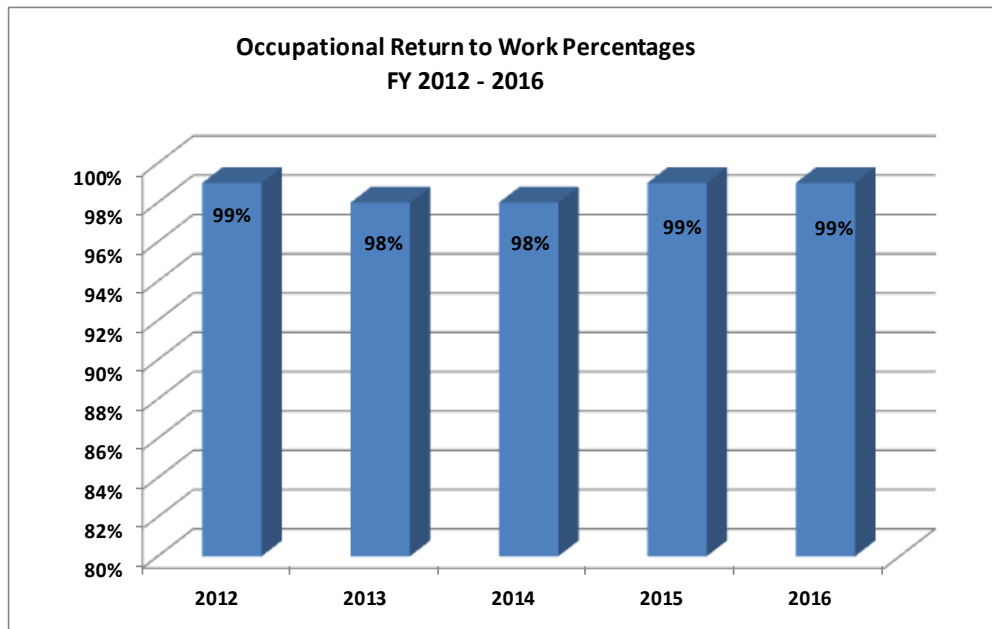
### **• Direct Deposit**

Enrollment for direct deposit continues to grow. At the end of FY15 we had enrolled 166 of 537 candidates. Enrollment has increased by 35% to 224 in FY16.

### **• Mail Order Program**

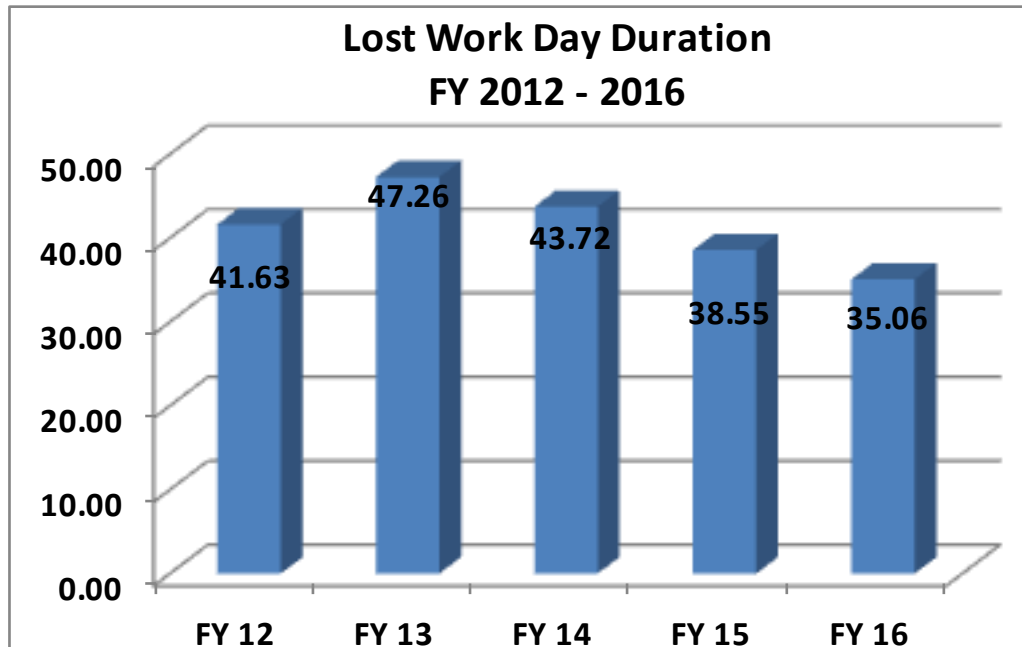
A pilot mail order pharmacy program was conducted aimed at increasing mail order utilization. Fifty injured workers with significant retail pharmacy spend were selected in an effort to convert them to mail order. The program is modeled after group health mail order prescription coverage by offering incentives for using mail order services. Participants received 20% of the adjusted savings (subject to a maximum) resulting from the mail order pharmacy program. This pilot resulted in a conversion rate of 14% with total savings of \$10,628.10 during the first reporting period.

# Return-to-Work Statistics



The WC program staff includes three members dedicated to assisting injured state workers return to productive employment. This unit, established in September 2006, undertakes a review of each executive branch agency's annual EO 109 (10) Workplace Safety and Employee Health report, and reviews each transitional duty refusal to assist our client state agencies to return our valuable employees to the workplace. The annual return-to-work rate for occupational injuries is our office area's second key measure.

# Lost Work Day Statistics



The WC program has established a third key measure, reduction in lost work day duration, which will help us measure our success in driving down the number of lost work days associated with workers' compensation claims.

This measure compares average disability duration per claim (lost work days divided by number of claims with lost work days).

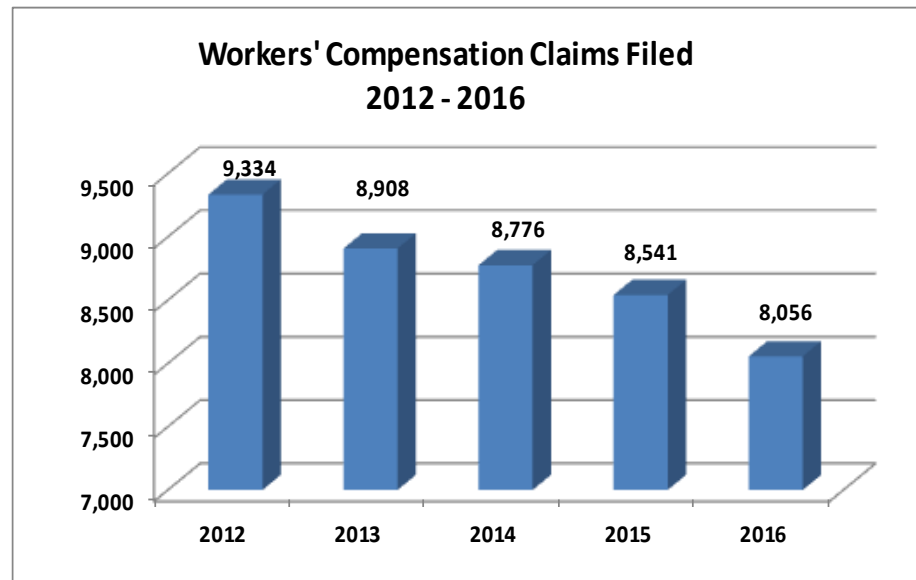
Beginning FY 15, the contractual stretch goal is a 10% reduction in lost work days over baseline. MC Innovations reports a 19.8% reduction in lost work days in FY 16, compared with 11% in FY 15.



# ***Reported Claims – Five Year History***

Over the last five years, the number of claims filed has dropped by 13.7%. The decrease reflects in part a concerted effort by agencies to reduce workplace incidents, in part to reduction in the state workforce, and in part to loss control efforts of agencies and the program.

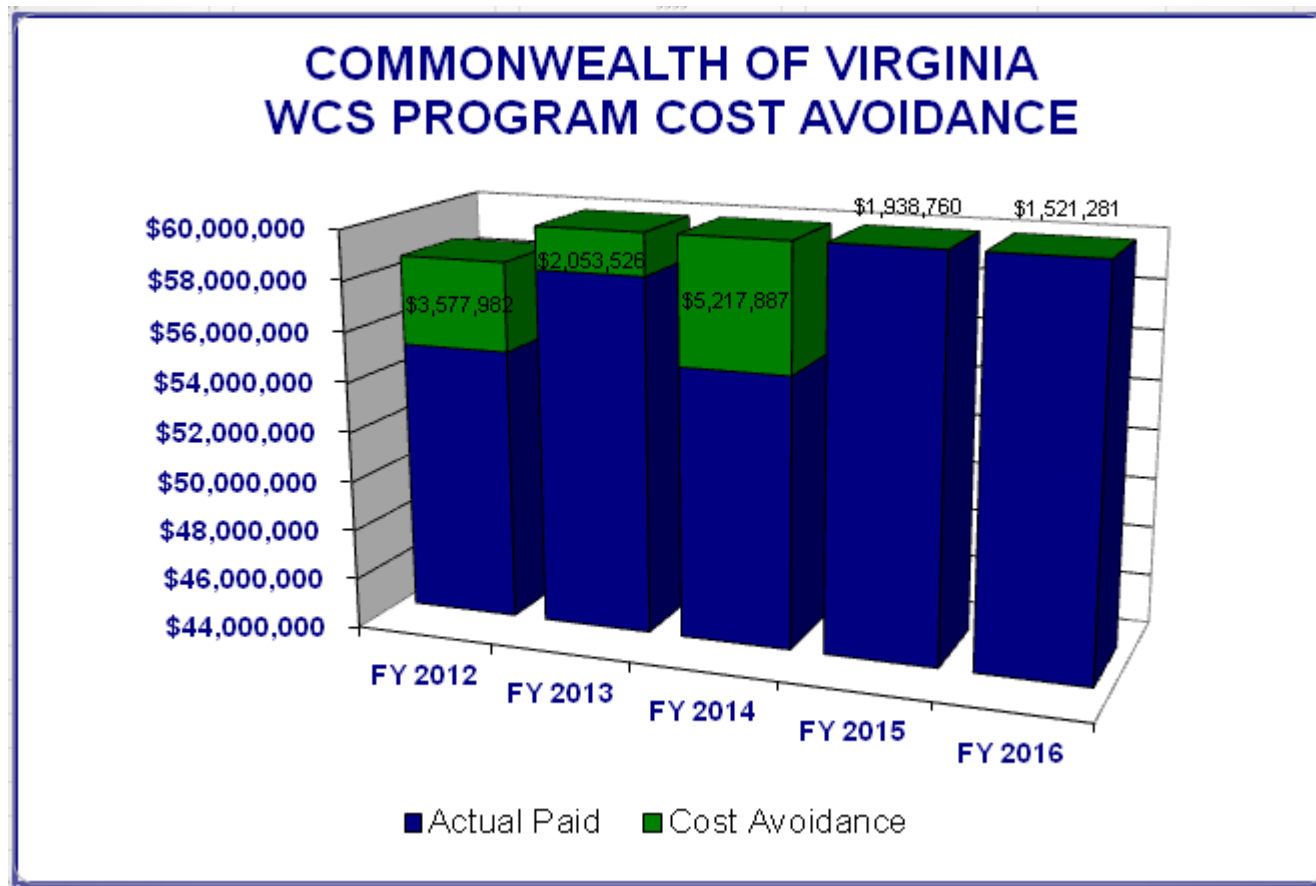
Although overall claims have dropped, it is interesting to note that the number of medical only and indemnity claims have actually risen about 6% since 2012. Because record only claims are not assigned to staff and no costs are expected for them, a reduction in these claims does not serve to reduce premiums in our experience-based model. Conversely, an increase in the number of medical only and indemnity claims adds to the caseload for benefit coordinators and to the cost of the claims. Management of the workload is controlled through the program's claim classification and weighting to ensure benefit coordinators can provide the best in customer service for the claims they are assigned.



# Claim Costs and Cost Avoidance

Since FY 2009, the program tracks cost avoidance experienced under the outsourced program by comparing spend against actuarial projections for expected spend based on experience under MC Innovations' contracts since 1998. **The program has achieved cost avoidance over actuarial projections in this model from FY 09 through FY 16 totaling \$22,788,403.**

The chart illustrates the past 5 year history.

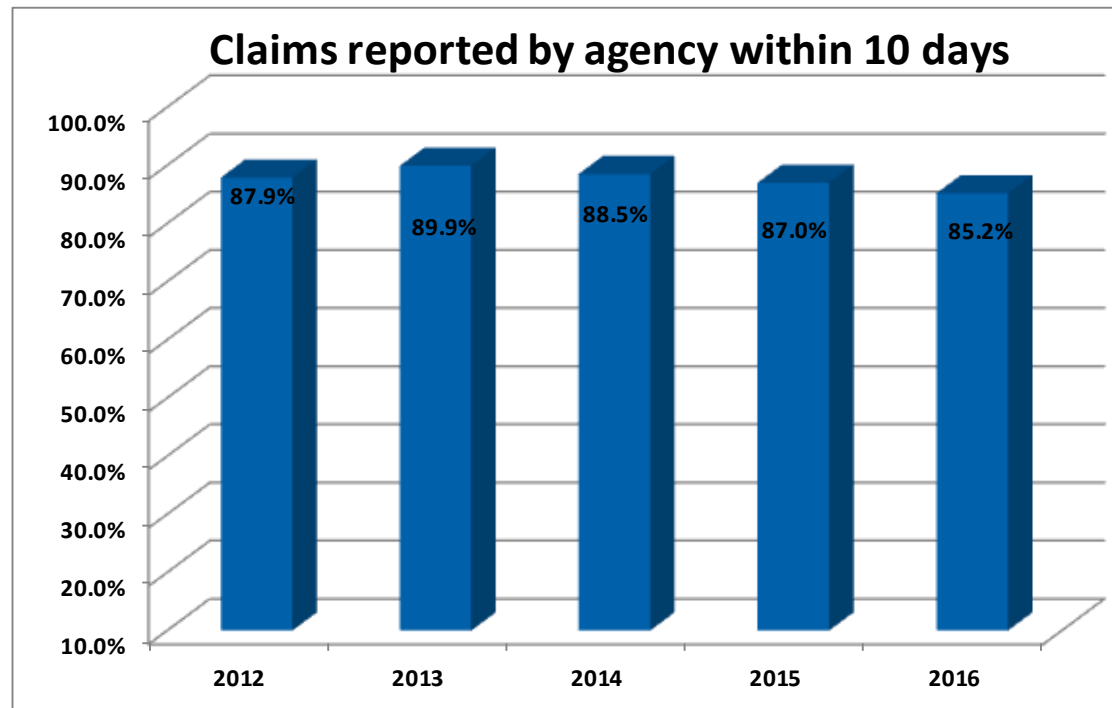


# Claims reporting

On July 1, 2008, the Program implemented Visual Liquid Web (VLW), a web-based process for filing claims.

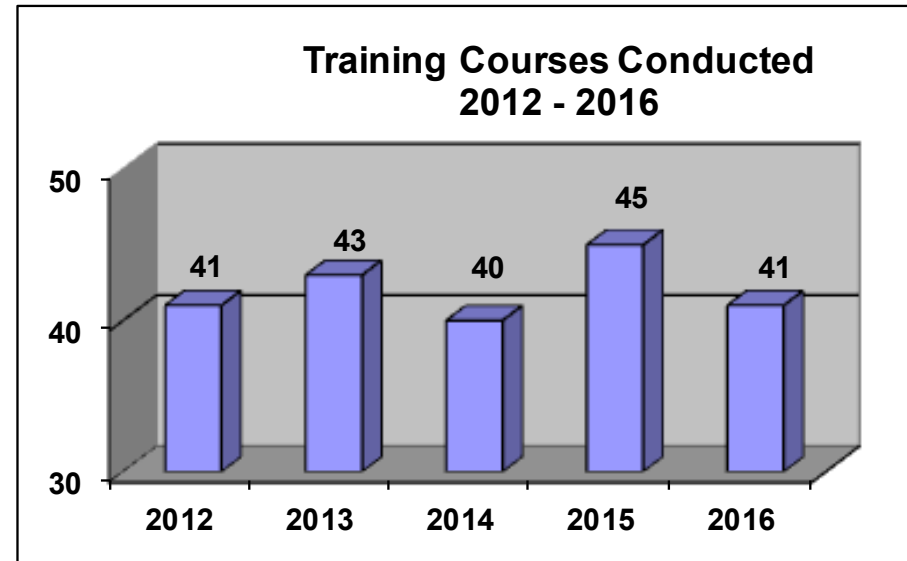
The lag time between notice of injury to the agency and the agency notifying MCI has decreased compared to paper claim submission.

Prior to VLW, only 82.4% of claims were reported within ten days. Within the first year of on-line claim reporting, the percentage increased dramatically, reaching a peak in FY 2011. Due to the declining timely claim reporting, the Return-to-Work Unit has been identifying and visiting agencies who may benefit from strategic coaching from the Unit.



# Training Programs

WCS offers training programs to promote knowledge advancement of state agency workers' compensation coordinators, safety officers, return-to-work coordinators and others involved in workplace safety and health or coordination of agency workers' compensation claims. These courses consist of scheduled training offered in-person and by webinar, web-based courses in the Commonwealth of Virginia Knowledge Center, and training on specific safety and health topics requested by our client agencies. With a goal of 36 per year, this chart displays our results over the past five years.

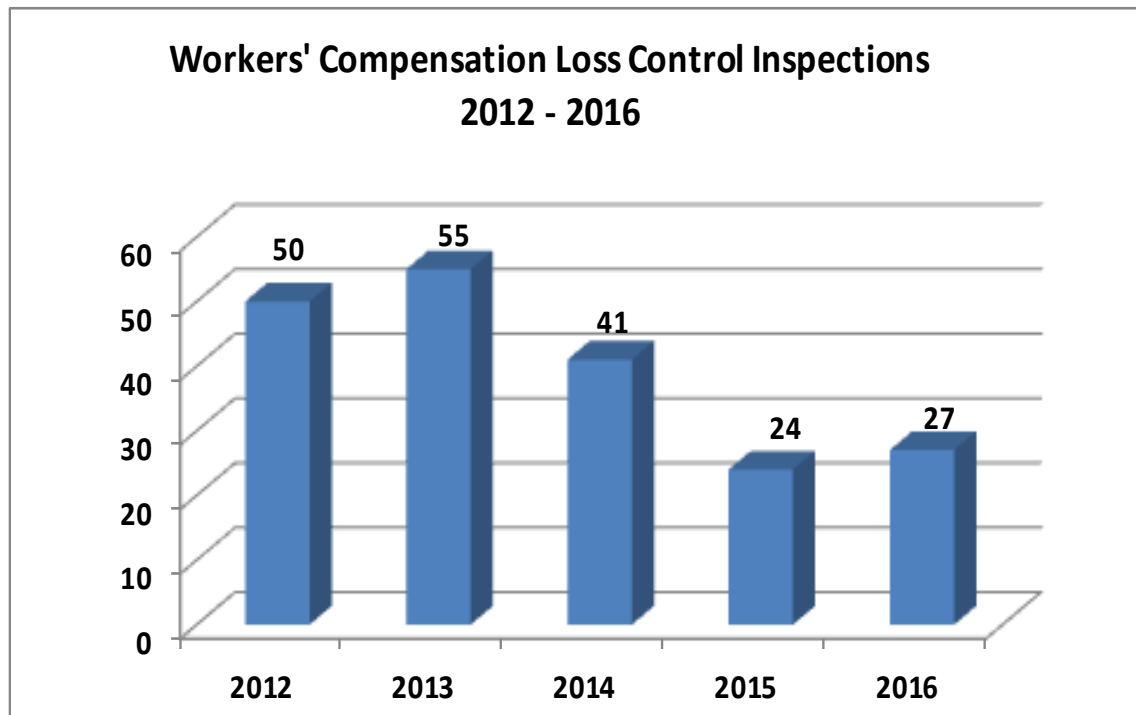


In addition to these short course training programs, the WC program jointly sponsors the Virginia Risk Control Institute with Treasury's Division of Risk Management and Virginia Commonwealth University. This program consists of a Risk Management Track and a Risk Control Track, each with five undergraduate courses covering important loss control and risk management topics. The program is designed to develop a strong cadre of knowledgeable safety, loss control and risk management professionals within Virginia state government agencies with the goal of recognizing and reducing hazards that may cause injury or illness to agency employees or visitors.

The WC training manager provides additional training opportunities for all Commonwealth of Virginia staff. WCS provides SHRM training that is otherwise unavailable to state employees at a value rate.

# ***Loss Control Inspections***

The WC program contract requires two inspections per month per consultant with a total of 24 per year contractually beginning July 1, 2014 with the reduction to one consultant (previously 48 per year with two consultants). These inspections are designed to identify conditions that are causing or are likely to cause serious injury, illness or death to employees of Virginia state agencies. Each inspection results in a report outlining the consultant's findings and providing recommendations to reduce or eliminate the identified hazards in a proactive effort to prevent future injuries and illnesses. The program's five year results are shown.



# ***Workers' Compensation Top 5 Lists***

## ***Top 5 Occupations with the highest number of claims***

<b><i>Nurse/Aide/Doctor</i></b>	<b><i>1606</i></b>
<b><i>Corrections Officer</i></b>	<b><i>736</i></b>
<b><i>Police Officer</i></b>	<b><i>434</i></b>
<b><i>Food Service Worker</i></b>	<b><i>347</i></b>
<b><i>Housekeeper</i></b>	<b><i>306</i></b>

The most frequent type of work-related claim continues to be in the service-related fields. Lifting, moving, and assisting patients as well as aggressive acts by patients, inmates, and police suspects are the most common causes of injuries.

## ***Top 5 most costly Accident Types***

***Fall, Slip, or Trip Injury on Same Level***  
***Struck or Injured by Fellow Worker; Patient or Other Person***  
***Strain or Injury by Lifting***  
***Strain or Injury by Not Otherwise Classified***  
***Struck or Injured by Not Otherwise Classified***

The "Miscellaneous" category encompasses many types of claims including strains, falls, and vehicle accidents not initially classified correctly.

## ***Top 5 most costly Loss Causes for Work-Related Injuries***

***Patient/Inmate***  
***Miscellaneous***  
***Vehicle/Car/Truck***  
***Floor***  
***Walking Surface, Outside, Dry***

# Top 10 Agencies— Severity

Agency	Total Paid	Outstanding	Incurred	# of Claims
720 - Behavioral Health & Developmental Svcs	2,142,250.76	2,258,337.18	4,400,587.94	2,039
501 - HIGHWAYS & TRANS, DEPT OF	1,075,105.08	1,964,143.02	3,039,248.10	373
156 - STATE POLICE	1,064,841.71	1,902,234.99	2,967,076.70	691
701 - DEPARTMENT OF CORRECTIONS	1,169,621.76	955,014.18	2,124,635.94	830
777 - DEPT. OF JUVENILE JUSTICE	721,425.27	468,486.40	1,189,911.67	270
209 - University of Virginia Health System	588,480.54	576,226.08	1,164,706.62	716
207 - UNIVERSITY OF VIRGINIA	404,699.98	464,842.10	869,542.08	208
208 - VPI STATE UNIVERSITY	441,826.06	395,153.39	836,979.45	579
601 - VA DEPARTMENT OF HEALTH	371,429.20	355,623.87	727,053.07	196
236 - VIRGINIA COMMONWEALTH UNIVERSI	321,645.06	255,933.67	577,578.73	175

## ***Factoids***

- ***Most injuries occurred between 10:00 a.m. and noon***
- ***Most costly injuries occurred between 2:00 p.m. and 4:00 p.m.***
- ***34.5% of claims involved employees with 0 to 2 years of service; another 14.8% involved employees with 2 to 4 years of service. Combined, nearly half of the injuries last year were sustained by employees with 4 years or less of experience.***
- ***Employees between ages 50 and 59 incurred almost 24% of the claims in FY 16.***
- ***In FY 16, nearly 57% of injured workers were female, compared to FY 15, where nearly 55% of injured workers were male***